Weekly Economic Review

Employment insurance uptake soars

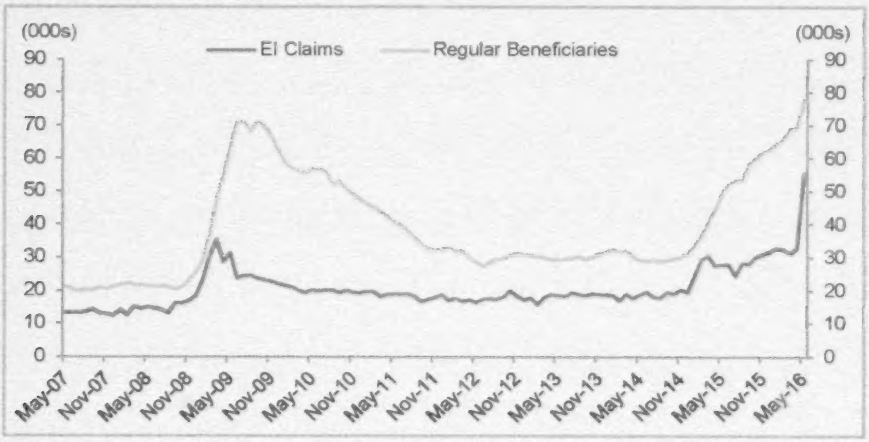
Employment Insurance

Wildfires and labour market weakness push EI to thirty year high

The number of workers relying on Employment Insurance (EI) has reached unprecedented heights for Alberta. EI claims skyrocketed to 55,350 in May, the highest number of claims on record. It was also a record month-over-month (m/m) spike, with 22,750 claims compared to April (Chat 1). Regular EI beneficiaries jumped by nearly 8,500 claimants to 77,810 regular beneficiaries, surpassing the previous record set in September 2009. The large spike was partly due to the wildfires in Northern Alberta. The number beneficiaries in Wood Buffalo more than doubled from 1900 to 4850. Regular EI beneficiaries were up in almost every region. Calgary and Edmonton each accounted for one-third of recipients. The difficult job market has resulted in 2.4% of Alberta's labour force filing for EI, the highest usage rate in 30 years.

Chart 1: EI claims reach record high

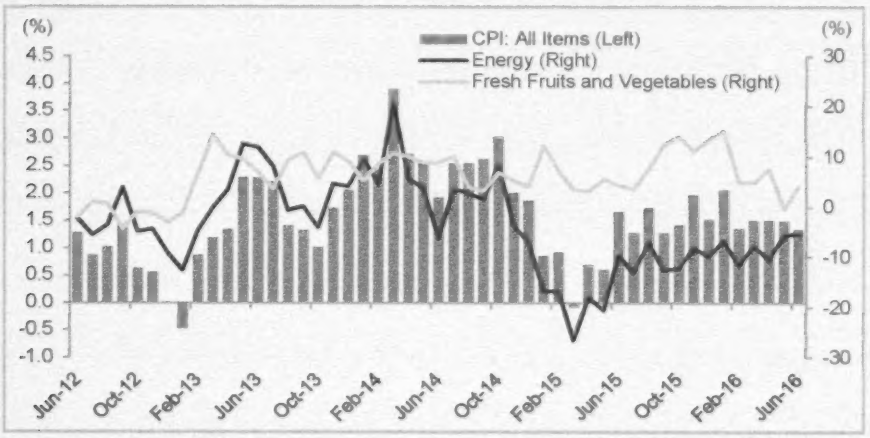
Alberta employment insurance claims and beneficiaries



Source: Statistics Canada

Chart 2: Inflation becoming increasingly mild

Alberta Consumer Price Index and select sub-components



Source: Statistics Canada

Consumer Price Index

Inflation remains subdued

Inflationary pressures in Alberta remained muted in June, with consumer prices up a mere 1.3% year-over-year (y/y). Inflation has waned over the past few months (Chart 2). A soft housing market has lowered shelter costs, especially for rental units (-1.3% y/y). Low natural gas prices have also reduced the cost of shelter. The impact of the weak Loonie seems to be dissipating for products with high import content such as food (+1.9% y/y). Fruit and vegetable prices have come down since spiking in January. Households continued to enjoy low energy prices (-5.3% y/y) while gasoline prices were still down 2.1% y/y, despite a recent uptick. Conversely, transportation (+3.1% y/y), home furnishings (+4.5% y/y), health and personal care (+1.8% y/y) and alcoholic drinks and tobacco (+5.0% y/y) prices have steadily risen.

Retail Sales

No shopping sprees for Albertans

Alberta retail sales fell to $6.2 billion in May, down 0.9% compared with the previous year (Chart 3). Sales declined significantly for several categories including motor vehicle and parts,

building materials and supplies and grocery stores. Supermarkets (-9.5% y/y) and convenience stores (-13% y/y) have seen a sizable slowing of sales as Albertans look to save on groceries and confections. Gas station have struggled with weak sales (-7.1% y/y), in addition to retailers of more durable goods such as furniture and furnishings retailers (-6.0% y/y), building material and gardening stores (-5.3% y/y), and motor vehicle (-2.7% y/y).

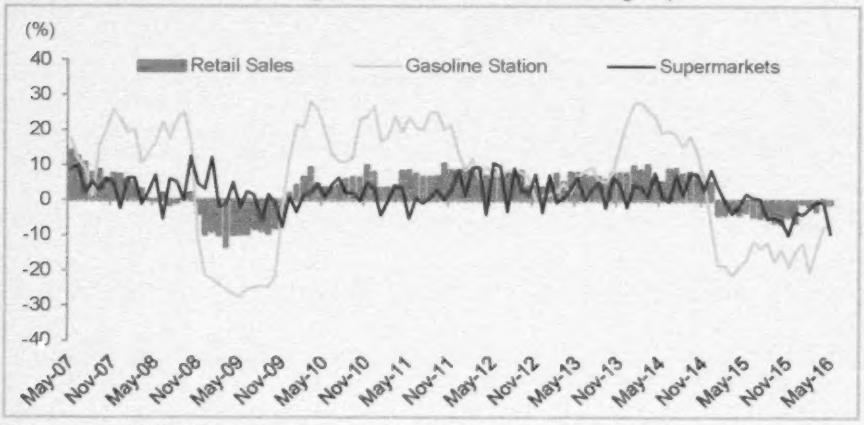
Supply and Disposition of Crude Oil

Crude production declines

Alberta produced 2.6 million barrels of oil per day in April, the lowest level in nearly a year and a 2.1% decline from a year prior. The drop-off was largely due to a 25% y/y decrease in synthetic crude production due to maintenance shutdowns in the province. Weaker conventional production (-17% y/y) also contributed to the monthly decline. In contrast, oil sands production remained robust with bitumen production up 18% y/y. Given that Alberta accounted for eighty per cent of Canada's total oil extraction, slowing production in the province contributed to weaker national production (-2.4% y/y).

Chart 3: Albertans limit their retail purchases

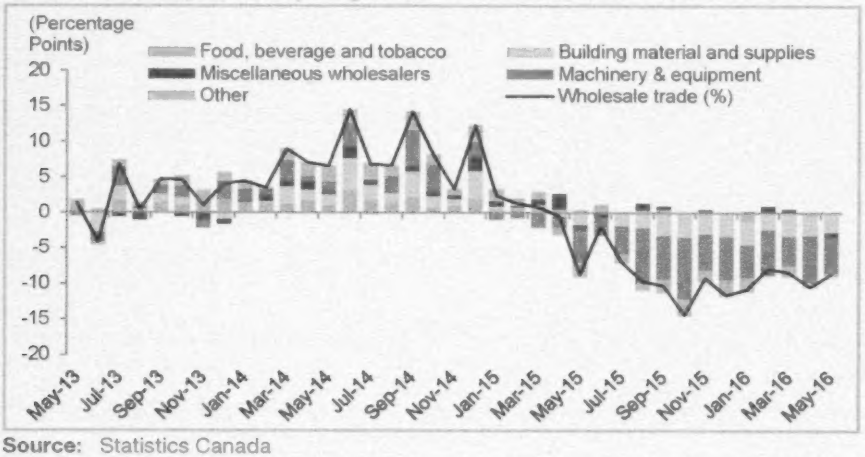
Year-over-year percent change in Alberta retail sales and gas prices



Source: Statistics Canada

Chart 4: Wholesale trade weighed down by machinery and building materials

Contributions to year-over-year growth in Alberta wholesale trade



Source: Statistics Canada

Wholesale Trade

Wholesale weakened by wildfire

Alberta wholesale trade fell for a second month to $6.0 billion in May 2016, down 8.4% compared with the prior year. The drop partly reflects the impact of the Alberta wildfire. Wholesale trade has receded to its lowest level since September 2011. Wholesaling activity for machinery, equipment and supplies (-19% y/y) has a major source of weakness (Chart 4). Building materials and supplies (-16% y/y), as well as motor vehicle and parts (-9.6% y/y), have also been soft spots.

World Economic Outlook

Brexit prompts slight downgrade

The IMF lowered its forecast for global growth to 3.1% in 2016, and 3.4% for 2017, primarily due to rising uncertainty following Britain's vote to exit the European Union. The outlook for emerging markets was largely unchanged whereas advanced economies are projected to fair slightly worse this year. Canada's growth was downgraded to 1.4% in 2016, while the forecast for 2017 was raised to 2.1%. The outlook for Britain was downgraded as it starts the process of withdrawing from the EU. Forecasts for Japan and the US were also trimmed for 2016. The major emerging markets of Brazil and Russia continue to struggle with deep recessions in each country, but the downturns look to be subsiding. The outlooks for China and India remained largely unchanged and relatively robust.

Contact

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.